

prior taxable year shall serve as the basis of proof of the statements required to be filed under paragraph (a) of this section.

(2) *Year for which no return was filed.* If the beneficiary did not file a return for a taxable year for which a recomputation is necessary, he shall be deemed to have had in such year, in the absence of proof to the contrary, gross income in the amount equal to the maximum amount of gross income that he could have received without having had to file a return under section 6012 for such year.

(3) *Distributions deemed averaged.* In order for a beneficiary to use income averaging with respect to a prior taxable year (see § 1.668(b)-3A(c)), he must furnish all the information that would support the computation under section 1301 as if the distribution were actually received and averaged in such prior taxable year, even if a portion of the information relates to years in which no amount was deemed distributed to the beneficiary.

[T.D. 7204, 37 FR 17152, Aug. 25, 1972]

**§ 1.668(a)-1 Amounts treated as received in prior taxable years; inclusion in gross income.**

(a) Section 668(a) provides that the total of the amounts treated under section 666 as having been distributed by the trust on the last day of a preceding taxable year of the trust shall be included in the gross income of the beneficiary or beneficiaries receiving them. The total of such amounts is includible in the gross income of each beneficiary to the extent the amounts would have been included under section 662 (a)(2) and (b) if the total had actually been paid by the trust on the last day of such preceding taxable year. The total is included in the gross income of the beneficiary for the taxable year of the beneficiary in which such amounts are in fact paid, credited, or required to be distributed unless the taxable year of the beneficiary differs from the taxable year of the trust (see section 662(c) and the regulations thereunder). The character of the amounts treated as received by a beneficiary in prior taxable years, including taxes deemed distributed, in the hands of the beneficiary is determined by the rules set forth in

section 662(b) and the regulations thereunder. See paragraphs (h)(1)(ii) and (j)(1)(ii) of § 1.668(b)-2.

(b) The total of the amounts treated under section 666 as having been distributed by the trust on the last day of a preceding taxable year of the trust are included as prescribed in paragraph (a) of this section in the gross income of the beneficiary even though as of that day the beneficiary would not have been entitled to receive them had they actually been distributed on that day.

(c) Any deduction allowed to the trust in computing distributable net income for a preceding taxable year (such as depreciation, depletion, etc.) is not deemed allocable to a beneficiary because of amounts included in a beneficiary's gross income under this section since the deduction has already been utilized in reducing the amount included in the beneficiary's income.

**§ 1.668(a)-2 Allocation among beneficiaries; in general.**

The portion of the total amount includible in gross income under § 1.668 (a)-1 which is includible in the gross income of a particular beneficiary is based upon the ratio determined under the second sentence of section 662(a)(2) for the taxable year (and not for the preceding taxable year). This section may be illustrated by the following example:

*Example.* (a) Under the terms of a trust instrument, the trustee may accumulate the income or make distributions to A and B. The trustee may also invade corpus for the benefit of A and B. The distributable net income of the trust for the taxable year 1955 is \$10,000. The trust had undistributed net income for the taxable year 1954 of \$5,000, to which a tax of \$1,100 was allocable. During the taxable year 1955, the trustee distributes \$10,000 to A and \$5,000 to B. Thus, of the total distribution of \$15,000, A received two-thirds and B received one-third.

(b) For the purposes of determining the amounts includible in the beneficiaries' gross income for 1955, the trust is deemed to have made the following distributions:

Amount distributed out of 1955 income (distributable net income) .....	\$10,000
Accumulation distribution deemed distributed by the trust on the last day of 1954 under section 666(a) .....	5,000
Taxes imposed on the trust deemed distributed under section 666(b) .....	1,100